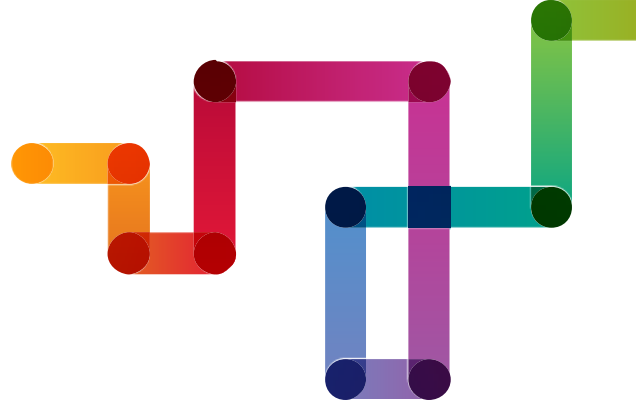


Transforming aid with cash transfers



Direct cash transfers, in which vulnerable people are given money instead of other kinds of support, are transforming the development giving model. They have been successful in maximising donation impact. How can we leverage their potential and use new technologies to support their growth?

Our vision

Our vision is of a world in which direct payments to recipients are at the centre of humanitarian aid. We aim to leverage the transformative potential of cash transfers to support development. We believe that cash transfers can be a trustworthy and accountable way to offer autonomy to poor people, giving them a choice over their priorities and needs.

The challenges and their context

In 2015 the Overseas Development Institute (ODI) led the High Level Panel on Cash Transfers, which discussed how to improve humanitarian assistance.¹ According to the Panel, humanitarian aid has been based on the assumption that poor regions and people need in-kind and technical support to develop. But is this right? Evidence from 200 publications shows that direct cash transfers have a stronger impact on poverty reduction.

Since the turn of the century, cash transfers - sending money directly to individuals in a chosen population - have emerged as a new model of giving. These can take the form of conditional cash transfers (CCTs) or unconditional cash transfers (UCTs) depending on whether the money comes with conditions on how it is spent. Both CCTs and UCTs ensure over 90% of funds reach the recipients, while cutting corruption and improving transparency. A four-country comparative study found 18% more people could be assisted at no extra cost if everyone received cash instead of food. In 2015, the ODI panel argued that a greater use of UCTs would improve the efficiency of aid by promoting financial inclusion, beneficiaries' ownership of development policies, alignment between programmes and accountability.

And yet, although UCTs have gone from a few pilot projects to an annual sum of \$1.5 billion in the last 10 years, this still only represents 6% of total humanitarian spending. Why not more?

¹ ODI, 2015, Doing cash differently How cash transfers can transform humanitarian aid Report of the High Level Panel on Humanitarian Cash Transfers.

CHALLENGES BRIEF

There are moral, cultural and technical barriers which stop the humanitarian sector from implementing more direct cash transfers. From an ethical point of view, there is an open debate on whether cash transfers should be subject to conditions or not. In general CCTs have proved to be successful in Latin America, whereas successes of UCTs have mainly been in Africa, but it is not possible to establish a simple rule on which one is most effective. It is likely that the conditionality issue should be decided case-by-case, but a common set of shared principles to determine this would be useful.

Similarly, there is still a degree of scepticism about trusting cash transfers as a solution to global societal issues. Money cannot alone solve the systemic problems that underlie poverty. In particular, it seems that cash transfers are not linked with economically impactful investments.

The humanitarian system tends to be organised in clusters, with organisations focused on specific but related objectives. By offering recipients a free choice in buying services, cash transfers empower recipients to prioritise and address multiple needs, disrupting the model of multiple aid agencies providing different services. But this potential to coordinate or combine programmes in a way which is responsive to recipients' needs has not been harnessed yet. In Lebanon in 2014, more than 30 different aid agencies provided cash transfers and vouchers for 14 different objectives.

Finally, professionals in the humanitarian sector are not experts in financial transactions. There is a need to promote partnerships with the private sector to ensure accountable financial services, perhaps using digital payments, to allow the method to grow while respecting financial rules, legality and efficiency.

Current innovation

- During the 2011 famine in Somalia, aid agencies used remittance companies to provide cash transfers to over 1.5 million people.
- In Lebanon, more than a million refugees now use smart card vouchers to buy goods at local shops, or ATM cards to withdraw money instead of receiving in-kind aid.
- GiveDirectly is a US based NGO that is pioneering UCTs with pilot projects in Kenyan villages. They use public data to select which villages will benefit from the programme and send the cash directly to households without any conditions.

The potential for challenge prizes

- An innovation prize to collect proposals on how to deliver humanitarian cash transfers, focusing on solutions which would benefit from the private sector's expertise and partnerships.
- A partnership prize to leverage the potential of cash transfers as a model to develop stronger alignment between public and private initiatives for global development.
- A data prize to use innovation and new technologies to collect the necessary information to select communities eligible for UCT or CCT programmes.

Prepared for the Nesta Challenge Prize Centre by Eleonora Corsini. Last updated 20/04/2016.